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ARED

Economic and Social Research for Rural America

News

Agriculture and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture

Fall 1992



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ARED NEWS

Fall 1992

Economic and Social Research for Rural America

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ARED DIRECTORY

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ARED REFLECTIONS

By Ken Deavers, ARED Division Director

This issue of the newsletter seems like a good time to bring you up to date on a number of developments that are shaping the ARED program. Some of the effects are already obvious--budget stringency, organizational realignment, shifting priorities--but many are still highly uncertain. It is the high level of uncertainty that presents us with several unique challenges and opportunities as we move into the new year.

Late last fiscal year, ERS signed an interagency agreement with RDA, to conduct a program of cooperative research and other supporting activities with the State Rural Development Councils (SRDC's). The State Councils are the cornerstone of a national, multi-agency effort to create a new paradigm for rural development and a new institutional partnership to achieve a better future for rural America. Many of the concepts of "new governance" are behind the formation of SRDC's. They are meant to help make government work better--meaning, at least, more responsively, more efficiently, and more effectively in accomplishing rural community development goals.

Establishing the Councils has focused heavily on creating collaborative partnerships in council states, with key rural development actors. Five parties are expected to be at each council table; representatives of Federal, State and local government agencies, the private sector (e.g., banks, chambers of commerce, key rural employers), and tribal governments where applicable. Their task is to articulate and assist in achieving a strategic approach to rural development in the state. Work of the councils is being facilitated by full-time executive directors and a small staff office.

Our task is to identify opportunities to "broker" research and information as an input into the deliberations of the SDRC's. In a sense, what we are trying to do is to help them frame their rural development strategy issues in a larger national and global context. Thus, as we improve our understanding about how global competition and industrial restructuring are affecting the competitive position of rural areas, we are trying to give that understanding concrete meaning for the councils. And where they want to work on specific strategic initiatives that might benefit from researcher input, we will attempt to identify and facilitate participation by a research partner.

This is a difficult and uncertain task. It involves trying to stretch our capacity to synthesize findings from a very diverse research program, meld them with other relevant work on global restructuring, and in the

context of different states, make them credible and relevant to program people. We do not know the extent to which we can succeed at this, or exactly how to proceed, but it clearly seems worth the effort. It may be crucial to facilitating a new rural development paradigm through the SRDC process.

We have undertaken a major review of our work on farm structure, to assess the future direction that it might take. In part, that reassessment is appropriate with the new Branch and Section leadership that has been put in place. But several structures issues that have arisen in discussions with the Administrator, with the staff, and with colleagues, also suggest this is a good time for a review.

It seems clear, for example, that the structure of the farm sector that has emerged in the past 20 years--many small part-time operators who produce little of the sector's output, and relatively few mid-sized and large operators who account for the bulk of production--increases the complexity of reporting conditions for the sector. We have done a good job of tracking these changes, but less well in figuring out how they affect the usefulness of sector-wide analyses. Similarly, we have tracked and reported the increased relative role of hired labor, compared to operator and family labor, and yet we have not incorporated analysis and reporting of hired labor conditions into our structures analysis.

These are only the most obvious reasons why we need to reconceptualize, prioritize, and move forward with a redesigned program of structures work. We have an opportunity to look at new ways to capture the most important current aspects of structural change, and give policy makers new insights into the sector today--and tomorrow. The process of doing this is challenging, creates some uncertainty, but in the near term should create many exciting opportunities for new ERS research and cooperative efforts.

We have also begun working closely with commodity analysts in CED as we assume greater responsibility for all ERS cost of production estimates. This is a transition year in which CED will continue to have major responsibility for specialty crops such as sugar and tobacco, but where some additional data will be collected by NASS. This data will facilitate future ARED estimates work on those commodities on a basis comparable to that already used by the Division for other crops. Next year will see another transition for livestock and dairy.

An AAEA committee is currently studying the issue of economic cost and return estimation methods and practices for agriculture. When that committee reports,

we will be responsible for implementing recommended "best practices," in so far as it is feasible given available funds and data collection limitations. In doing that we will have to work very closely with CED, NASS, and our university-based colleagues. One of the highest priorities in the entire process will be to maintain the essential character and availability of data needed by program administrators. At the same time we want to improve the conceptual basis of our cost and return estimates, and continue analyses of cost distributions, to improve our knowledge of factors that determine high and low cost producers.

The greatest uncertainty we face is how to plan for the arrival of a new administration in January. Perhaps the best thing we can do is to continue the kind of efforts I've highlighted, which reflect the continuing need to review and reassess the direction, content, and priorities

of our research and analysis program. Evolving sectoral, national, and global conditions are likely to be more important influences on our program than are administrations. The most significant shift may well be in the staff work we are asked to do for the Department's policy officials. The content of staff work is always driven by the agenda of those officials, so it is never easy to "plan." But if our broader program themes are well thought out, we should be in a position to respond effectively to their requests for staff work.

Finally, let me take this opportunity to thank each of you for your continuing excellent work. I look back with considerable pride on what we have accomplished in the past year, and despite the uncertainties ahead, I am confident that we will continue to fill important public needs for policy-relevant analysis. Have a happy holiday season, and good luck in the new year.



Rural Development Perspectives

In This Issue

The recently released issue (Vol. 8, No. 1) of *RDP* contains the following articles:

"Farmland Loss to Urban Encroachment No Threat to U.S. Agriculture," by Ralph Heimlich and Marlow Vesterby (both of RTD). It seems that everywhere one looks, one sees more housing subdivisions, more shopping centers, more industrial and office parks being built. Will any farmland be left? There will be quite a bit, actually. Analysis of land-use changes over the past 30 years estimates that urbanization consumes about one-quarter million acres of farmland per year, far less than the 3 million acres per year others had claimed.

"Natural Population Decrease in the United States," by Kenneth M. Johnson (Loyola University) and Calvin L. Beale (HRI). When deaths outnumber births in an area, demographers call it "natural population decrease." Nearly 1,000 U.S. counties, 95 percent of them nonmetro, have experienced at least 1 year of natural decrease since 1950. The cause is not lower fertility but long-term outmigration of young adults which has left fewer adults of childbearing age in these countries.

"Rural Areas Gained Doctors During the 1980's," by Paul D. Frenzen (HRI). The supply of nonmetro physicians expanded by nearly 20 percent during the 1980's, with all types of nonmetro counties gaining physicians. Urbanized nonmetro counties not adjacent to a metro area were the biggest gainers. These counties, which attracted the bulk of nonmetro physician specialists, are becoming major centers of medical care.

"Federal Job Training for the Poor May Be More Cost Effective in Rural Areas," by John Redman (FDP). Federal job training programs seem to deliver more for the money and get better results in rural than in metro areas. That is no small feat given the number of nonmetro handicaps: an unemployment rate 3 percentage points higher than metro rate, a populace that is more dispersed and therefore more difficult to reach than the metro populace, and pay scales that are generally lower than metro.

"Moonlighting in Rural Areas," by Leslie A. Whitener (FRE) and Janet L. Bokemeier (Michigan State University). In approximately 10 percent of nonmetro married couples, one spouse works more than one job. Couples with children, college graduates, and those with

a farm affiliation are more likely to moonlight than others. Moonlighters are concentrated in professional services and retail trade in both their primary and secondary jobs.

The *Rural Indicators* column, compiled by Tom Rowley (FDP), is a short article titled "Manufacturers' Restructuring in Nonmetro Areas Contributes to Lagging Pay, Job Instability," by Andy Bernat (HRI).

The *Book Reviews* were compiled by Robert Gibbs (HRI): *Planning Small Town America: Observations, Sketches and a Reform Proposal*, by K. Ford with J. Lopach and D. O'Donnell, was reviewed by Thomas D. Rowley (FDP); *Hanging by a Thread: Social Change in Southern Textiles*, edited by J. Leiter, M. Schulman, and R. Zingraff, was reviewed by Deborah M. Tootle (HRI); and *Regional and Local Economic Analysis for Practitioners*, by A. Bendavid-Val, was reviewed by Anicca Jansen (FDP).

The *Short Subjects* column compiled by Louise Stutzman (formerly of OD) includes: "Recycling for Community Profit," "Marketing Small Towns," "Residential Care Homes," "Communities Helping Themselves," "Economic Development Networks," and "Through Sociologists' Eyes."

NOTICE: Black and white photographs of rural America, especially those showing people, are needed for *Rural Development Perspectives*. Please give the location and name of the photographer for each photo submitted. Send your photos to Steve Landale, Publications Specialist, 1301 New York Avenue, NW, Room 328, Washington, DC 20005-4788. Questions? Call Steve at (202) 219-0520.

Rural Conditions and Trends Report

In This Issue

The Summer 1992 issue of *Rural Conditions and Trends* contains the following articles:

OVERVIEW: "Employment Expands, But High Unemployment Continues," by Linda Ghelfi (OD). The labor force grew faster than employment, keeping rural and urban unemployment high. The relatively low exchange value of the dollar and the wider distribution of employment losses across industries and occupations contributed to the recent recession's similar effects on rural and urban areas.

NATIONAL ECONOMIC CONDITIONS: "Recovery Signals Are Mixed," by Jennifer Beattie and R. M.

Monaco (both of NEH). Statistics sent mixed signals about the economy's health in the first half of 1992. By some measures, the economy was recovering and on the verge of accelerating. By other measures, it appeared stagnant. Private forecasters predict a moderate recovery in the second half of the year.

EMPLOYMENT: "Rural Employment Edges Up in First Quarter 1992," by Timothy Parker (HRI). Rural areas showed signs of recovery in the first quarter, as employment edged up slightly. Employment growth, however, was slightly outpaced by labor force growth as an increasing number of rural people were looking for jobs.

UNEMPLOYMENT: "Rural Unemployment Unchanged in Early 1992," by Paul Swaim (HRI). Rural unemployment in the first quarter of 1992 was unchanged from the recessionary level reached a year earlier. During 1991, unemployment rates differed significantly among rural areas. Some of the highest rates were in Appalachia, the lower Mississippi basin, and California. Rural counties in the Plains States generally had low unemployment.

NATIONAL ECONOMY LINKS TO RURAL AREAS: "Rural Unemployment Sensitive to Exchange Rates," by Karen S. Hamrick. The rural unemployment

rate is largely determined by the same factors that affect the overall U.S. unemployment rate, but many rural rates appear to be more sensitive to exchange rate movements. This sensitivity contributed to a high rural rate over the mid-1980's, but may help keep rural unemployment down over the next year.

NATIONAL ECONOMY LINKS TO RURAL AREAS: "Latest Recession Hits Both Rural and Urban White-Collar Workers," by Elizabeth Morrissey Dagata (HRI). The recent recession differs from earlier recessions in that the number of white-collar jobs has declined. Also, job losses are more widely distributed across industries. Because nonmanufacturing industries tend to be located in urban areas, the employment losses of this downturn were more evenly distributed between rural and urban areas than the employment losses of the 1981-82 recession.

Rural Conditions and Trends is published four times per year. The subscription price is \$14 for 1 year. Send check or money order to ERS-NASS, 341 Victory Dreve, Herndon, VA 22070. Make check or money order payable to ERS-NASS. You can charge your subscription to VISA or MasterCard, or use the toll-free number, 1-800-999-6779, to start your subscription.

OFFICE OF THE DIRECTOR

Briefings and Miscellaneous

Ken Deavers and Sara Mazie spoke on rural economic and population conditions and trends at the organizing meetings of the following State Rural Development Councils:

- * Iowa, May 7, (Sara),
- * Oklahoma, May 21, (Ken),
- * Missouri, June 4, (Ken),
- * Louisiana, June 26, (Sara),
- * Montana, July 15-17, (Ken),
- * New Mexico, July 25-28, (Ken)
- * Idaho, August 23-25, (Ken),
- * North Carolina, September 16-17, (Sara) and
- * Florida, September 17-18 (Ken).

Sara Mazie spoke on a panel at the 1992 Science Day conference titled "Changing American Landscapes." The conference was sponsored by several professional societies concerned with natural resource issues. She

spoke on the increasing value of rural physical amenities, such as a pleasant climate, lakes, sea coast, mountains, etc.

Ken Deavers spoke on the rural development efforts of OECD at the Partners in Rural Development seminar in Washington, DC, May 28.

Ken Deavers spoke on rural economic conditions at a GAO symposium in June. The GAO is beginning an initiative on rural development and the symposium was to help them develop a plan of work. Dave McGranahan presented information on rural human resource issues.

In July, Ken Deavers attended a workshop on manufacturing networks in Aspen, CO.

Ken Deavers and Tom Rowley (FDP) participated in a meeting with the National Rural Initiative and the

Rural Economic Development Institute staffs to discuss support for the State Rural Development Councils.

Ken Deavers was the featured speaker at the National Conference of the Institute of Public Administration of Canada held in Winnipeg, Manitoba, August 31-September 1.

Personnel News

Molly Killian resigned June 12 and moved to Fayetteville, AR, to work with the Rural Policy Research Institute (RUPRI), Department of Agriculture

Economics, University of Arkansas. Molly began her career with ERS in June 1985 as a Sociologist with the Human Resources Branch. In the spring of 1991, she became editor of *Rural Development Perspectives*.

Louise Stutzman retired from ERS in August. She had been assistant editor for *Rural Development Perspectives* since she came to ERS in 1987. She also was assistant editor of *Rural Conditions and Trends* when it was established two years ago. Her 18-year federal career included being a secretary for the predecessor to ARED, the Economic Development Division; assistant editor with the Extension Service; and overseas teacher in Morocco and France for the Air Force.

FARM AND RURAL ECONOMY BRANCH

View from the Branch

By Tom Carlin, Former FRE Branch Chief

Most things in life are in a constant state of change. And so it is with ERS as program managers continually alter the structure of the organization in order to better address the major policy issues confronting society today and into the 21st century. Some areas of work contract; others expand. The Farm and Rural Economy Branch has recently realigned its program and staffing in light of reduced real funding for FY 1993.

We have merged our agricultural labor work with our on-going program of farm structure research. The number of researchers doing farm labor research is reduced, but some of this work will continue. For example, we will continue to periodically publish information on the characteristics of hired farm workers.

Change also frequently spawns opportunities. This organizational change will provide the opportunity to refocus our remaining labor research in the context of the continually changing structure of the U.S. farming sector. As a result, you will no longer find the Agricultural Labor Section on the ARED organizational chart. However, it will be listed in the phone book for at least another year.

Leslie Whitener will lead the Farm Structure Section. Vic Oliveira and Jack Runyan will also transfer to the Farm Structure Section. Jim Duffield will move to the Agriculture and Community Linkages Section to replace

Judy Sommer who has transferred to FSFA. Nora Brooks has also moved to FSFA.

Donn Reimund has transferred to the Office of the Branch Chief as Senior Economist. His major responsibility will be to coordinate ERS work associated with a joint U.S. and Canadian study of agricultural structural change. This study is being undertaken by ERS, Agriculture Canada, Statistics Canada, and a number of Canadian and U.S. universities. During FY 1993, cooperators will focus on a comparative analysis of the U.S. and Canadian farming sectors and the public policy and institutional forces that shape the farming sector in the two countries. All this paves the way for an assessment of what the farming sector in the U.S. and Canada might look like in the early 21st century, particularly in light of NAFTA.

This leads me to the last change that should be mentioned. Dave Harrington and I have "changed hats". On October 1st, Dave assumed the leadership of the Farm and Rural Economy Branch. Dave has substantial professional experience in farm and rural policy research in both Canada and the U.S. His experience and insights will be particularly useful in undertaking the U.S. and Canada study.

I had been FRE's Branch Chief since October 1986. I enjoyed the job and hopefully grew as a result of the experience. But the key to the success of any branch in ERS is the staff and I benefited from the hard work and dedication of everyone in FRE. I thank you all for your important contributions to the Branch's research program.

Agricultural and Community Linkages Section

Papers Presented and Meetings Attended

Dennis Brown presented a paper at the April meetings of the Association of American Geographers, in San Diego. His paper, "Assessing the Regional Impact of Changes in the Livestock and Poultry Industries", described changes in the red meat and poultry industries, and assessed the potential of these industries for creating economic growth in nonmetro America. Input-output analysis was used to examine the local impact of changes in final demand for meat products in areas with important red meat and poultry industries. Due to greater labor intensity in poultry processing, it was found that the local employment impact of a change in final demand for meat products was larger for areas specializing in the poultry industry than for those specializing in the red meat industry. This work will be published as an Agricultural Economic Report.

Briefings and Miscellaneous

On August 13, Judith Sommer and Fred Hines met with Saiyed Rizui, Senior Policy Analyst with the Farm Economic Analysis Division of Agriculture Canada. They discussed the sharing of U.S. and Canadian Agricultural Census Data. Mr. Rizui was interested in using Census data to develop a farming region typology for Canada.

On a lighter note, Dennis Brown and his fiancee, Heidi, were married in Buffalo, NY, on September 6. They honeymooned in Europe and reside in Montgomery Village, MD.

Personnel

Jim Duffield joined the Section on October 1. He transferred from the former Agricultural Labor Section.

Judith Sommer transferred to the Farm Costs and Returns Sections of the Farm Sector Financial Analysis Branch on October 1.

Upcoming Events

Jim Duffield and Shannon Hamm (CED) are organizing a symposium called "Immigration Reform and U.S. Agriculture" to be held here on March 29-30, 1993. The purpose of the symposium is to present papers that reflect the research on the effects of the Immigration Reform and Control Act on farm labor markets. Participants will include researchers from various universities, Agricultural Experiment Stations, U.S.

Department of Labor, Commission on Agricultural Workers, consulting firms, and ERS.

Agricultural Labor Section

Publications

In August, Jack Runyan published *A Summary of Federal Laws and Regulations Affecting Agricultural Employers, 1992*. Close to half of all U.S. farms use hired labor during the year. Labor's importance to U.S. farm production requires agricultural employers to understand Federal laws and regulations governing employment, taxes, wages, and working conditions. This updated version of a 1989 report reviews current laws and regulations that affect farm employers. It contains expanded sections on agricultural employers' Federal safety and tax requirements and new sections on Federal pesticide safety and Federal equal employment opportunity requirements.

Alan Bird had an article titled "Virtual Large Farms and Exurban Communities: Keys to Sustainable Agriculture," published in *Choices*. The article proposes two new institutions to enable sustainable agriculture in the Great Plains in the 21st century. The first institution is the virtual large farm, which is an entire watershed managed as one farm. An exurban community is the other institution and is a community of about 20,000 people with helicopter and airplane access to the virtual large farms so the farm workers could commute as needed from their exurban residences to the large farms.

Papers Presented and Meetings Attended

Leslie Whitener discussed sources of farm labor data and the difficulties of counting migrant and seasonal farmworkers at the Association of Farmworker Opportunity Program's (AFOP) Annual Conference in May. AFOP is a national consortium of farmworker organizations which receive grants from the U.S. Department of Labor (USDL) to provide farmworker employment and training services under the provisions of the Job Training and Partnership Act. Leslie summarized the existing sources of USDA farm labor data, while Conference participants from the Bureau of the Census and USDL talked about other Federal sources of farm labor data.

Personnel

Jenn Johnson spent a second summer working as an intern with the Section. She has now returned to the College of William and Mary where she is in her sophomore year. This summer, Jenn worked with Leslie Whitener to construct a farm labor data book,

developed tables and graphics for publications and presentations, and used Atlas Graphics to provide Alan Bird with a variety of maps for his research. We appreciate Jenn's efforts to the Section and wish her well at school.

Farm Structure Section

Papers Presented and Meetings Attended

Neal Peterson and Donn Reimund attended the World Congress for Rural Sociology meetings on August 13-14

at Penn State University. Neal presented a paper on "History of Concentration in U.S. Agriculture in the Twentieth Century and Recent Trends in Concentration."

While at Penn State, Neal and Donn met with Ray Bollman (Statistics Canada), Phil Ehrensaft (University of Quebec), Peter Apedaile (University of Alberta), Nora Keating (University of Alberta), and Fred Buttel (University of Wisconsin) to plan a joint Canadian and U.S. research project on structural change in agriculture.



FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

By Jim Johnson, FSFA Branch Chief

Our Branch's staff activities tend to have a seasonal bent. In the spring and summer, it is our responsibility to produce USDA's estimates of financial performance indicators for the farm sector, various types and sizes of farm businesses, crop and livestock enterprises, and farm operator households.

Developing farm income estimates involves working with: (1) farmers' receipts for more than 200 crop and livestock commodities, ranging from cattle to tung nuts, (2) payments for a wide variety of commodity and conservation programs, and (3) expenses incurred for the purchase of all types of production inputs, ranging from twine to chemicals. The Branch's farm income data is used by the U.S. Department of Commerce (DOC) in its Gross Domestic Product and Regional and Personal Income estimates. The DOC releases their data in their July issue of *The Survey of Current Business*. This means our preliminary estimates of farm income must be ready for the DOC by mid-June.

Here is the process we go through in developing the farm income estimates. We receive a tape of raw survey data around the third week of May. Thus, we have about three weeks from the receipt of survey data until the first income estimates are due at DOC. This first estimate tends to be fairly close to what we publish as "our" estimate of income for the previous calendar year. The Branch's income analysts spend much of the summer working with State offices of the National Agricultural Statistics Service to prepare income estimates for the States and the reports on Economic Indicators of the Farm Sector.

In addition to farm income estimates, Branch analysts develop estimates of: (1) the value of farm produce consumed on farms, (2) the rental value of farm dwellings, (3) farm assets and liabilities, and (4) the financial positions of farm businesses. All of these estimates are also finalized during the summer.

Preparing the estimates of financial indicators was not the sole focus of Branch activity this summer. Several important manuscripts were completed and readied for publication. First was an article on the economic well-being of farm operator households, which was measured using income received from all farm and non-farm sources along with measures of household assets and liabilities. This work found that in 1990 the average household income for farm operator households was

\$39,007, comparable to the average U.S. household. The average net worth of operators' households (including the farm business) was significantly higher than for all U.S. households.

Another paper reported on the debt repayment capacity of commercial farm operators. Comparing actual farm debt to the maximum feasible amount of debt that could be supported by farmers' cash flows showed that the amount of debt repayment capacity used rose from 29 percent of available capacity in 1970 to more than 95 percent in 1981, near the beginning of the farm financial crisis. Currently, debt capacity use is estimated at about 40 percent, a level near that of the early 1970's.

A third project completed this summer developed a prototype set of bulletins on enterprise costs and returns that use cost distributions and analyses of high and low-cost producers. Bulletins were completed for soybeans, rice and sorghum. They are scheduled for release in the late fall.

Finally, the Branch spent considerable time studying value added in the farm sector. A measure of value added comparable to that published by OECD will be incorporated into this fall's issue of the *Economic Indicators*. This estimate will be another indicator of agriculture's contribution to the national economy.

Economic Indicators Forecasts Section

Research and Analysis

Bob Dubman and **Charles Dodson** completed the restructuring of the farm income forecasting model. The new model was used for the first time for the Farm Income section of September's *U.S. Agricultural Update*. Bob and Charles are writing a technical bulletin that describes the model and equations underlying the current forecasts. This will be the first time ERS has published documentation of any of the models used in preparing USDA's official forecasts of farm income and its associated components.

Bob Dubman is studying the financial position of specialized wheat operations. This is an update of a report that was first published three years ago. The new study compares wheat operations over the 1987-91 period and analyzes year-to-year changes. USDA's Farm Costs and Returns Surveys for those years is providing the data.

Charles Dodson and Bob McElroy are expanding the series of specialized farm reports to include corn/soybean, cotton, hogs, beef, and possibly poultry.

Papers Presented and Meetings Attended

Bob Dubman presented a poster titled "Forecasting Aggregate Farm Income Statistics with a Simultaneous Model" at the American Agricultural Economics Association (AAEA) meetings in Baltimore, August 9-12. The poster demonstrated the benefits of simultaneity for long-term forecasting and gave examples of sensitivity analysis and model convergence. At the same time, it helped advertise that ERS uses a large, comprehensive, and complex mathematical modeling procedure to make detailed long-run farm income forecasts.

Charles Dodson presented a paper titled "Excess Returns to Custom Cattle Feeding?" at the AAEA meetings. This paper examined returns received by custom cattle feeders over the 1980-90 period in the High Plains of Texas, New Mexico, and Oklahoma.

Charles Dodson attended the annual meeting of the Western Agricultural Economics Association in Colorado Springs, CO, and presented a paper titled "Systematic Risk, Unanticipated Inflation, and Excess Returns for Texas Cropland Investments." The paper discussed the farm-based returns to cropland investments for selected Texas counties.

Briefings and Miscellaneous

Bob McElroy briefed Dan Sumner on 1992 farm income forecasts that were published in the September issue of *Agricultural Income and Finance: Situation and Outlook*. Since the previously published forecasts of May, the 1991 estimates have been revised. Excellent July weather raised 1992 crop projections to near record levels for many crops. Forecasts of net incomes for 1992 are estimated to be steady to rising slightly from the new 1991 estimates.

Bob Dubman has been selected as ARED keyperson for 1992's Combined Federal Campaign (CFC). He will be working closely with each Branch's designated keyperson to make this a successful year for ARED and the CFC.

Personnel

The Section welcomes Charles Dodson to our team. Charles comes from Texas Tech University where he was an Assistant Professor of Agricultural Finance. He will be taking over the short-term farm income forecasting duties and researching financial topics.

Charles hails from Sparta, TN, and studied at the University of Missouri. He and his wife are the proud parents of a new daughter, born in early August.

Farm Costs and Returns Section

Research and Analysis

Sue Bentley and Mitchell Morehart are comparing the relative financial performance of farm business and nonfarm small businesses. Standard financial statements and financial ratios are developed to identify differences in the financial structure and performance of farms and small businesses for 1987. Data from the National Survey of Small Business Finances provided the necessary information for nonfarm businesses, while economic data for farms was obtained from the Farm Costs and Returns Survey. The results of this comparison have implications for rural development policy and should provide insight on differences in financial conditions for similar size businesses in the different subsectors.

Robert Dismukes, Gerald Whittaker and Hisham El-Osta have been working with Ditalamane Hebie (University of Georgia) to analyze the economic efficiency of peanut production using the 1987 Farm Costs and Returns Survey.

Publications

Mike Salassi completed work on two publications which analyze differences in rice production costs across various farm sizes and regions in the United States. A statistical bulletin, *U.S. Rice Production Practices and Costs, 1988*, was published in May and an agricultural information bulletin, *Characteristics and Production Costs of U.S. Rice Farms, 1988*, was released in October.

Mir Ali assembled 1987-89 cost and return estimates for major field crops by selected States. He also summarized the data on quantities used for selected inputs, type and size of machines, and field operations. The results were published in *State-Level Costs of Production: Major Field Crops, 1987-89*, Statistical Bulletin No. 838, released in May.

Mir Ali has made available a Data Product of the State-level production costs, returns, field operations, type and size of machines, tractors' horse power, and selected input data by major field crops for 1987-89. The database is available as Lotus 1-2-3 worksheet files on DOS-compatible 3.5" diskette. It is data product #92013.

Robert Dismukes and Agnes Prentice updated the historical series of regional and national production

costs estimates. The product is 41 Lotus worksheet files, each containing crop production cost estimates from 1975-90. The product includes tables from *Economic Indicators of the Farm Sector: Costs of Production--Major Field Crops, 1990*.

Papers Presented and Meetings Attended

Mitchell Morehart presented a paper, "National Agricultural Cost of Production Estimation: Where We Are Today and Future Challenges," at the Meeting of the National Agricultural Cost of Production Standards Review Board held in Washington, D.C., at ERS, on July 27.

Bill McBride presented research findings on the costs of producing the 1990 soybean crop at the same meetings. His findings will appear in the forthcoming AIB, *Characteristics and Production Costs of U.S. Soybean Farms, 1990*.

Mitchell Morehart, Robert Dismukes, and Dargan Glaze attended the second meeting of the American Agricultural Economics Association (AAEA) Economic Statistics and Information Resources Committee Task Force on Recommendations for Commodity Costs and Returns Measurement Methods held in conjunction with the AAEA meetings in Baltimore, MD, August 9-12.

Gerald Whittaker presented a poster on the use of nonparametric regression in measuring efficiency at the 1992 AAEA meetings in Baltimore, MD, August 9-12.

Briefings and Miscellaneous

Mike Salassi travelled to Arkansas in July to field test the rice cost of production version of the 1992 Farm Costs and Returns Survey.

Robert Dismukes presented a talk to the National Agricultural Costs of Production Standards Review Board meeting in July at ERS. He spoke on the uses and distribution of cost-of-production estimates.

Upcoming Events

Section staff are preparing to train State survey statisticians for the 1992 Farm Costs and Returns Survey which will be held at two regional workshops during January.

Personnel News

Sue Bentley received the Women's Equality today award recognizes her outstanding personal commitment in support of women's equality.

Robert Dismukes left the Section in October and is now the Associate Editor of *Agricultural Outlook*.

Farm Financial Analysis Section

Research and Analysis

Mir Ali (Farm Costs and Returns Section) and **Ken Erickson** traveled to Montana to pre-test the 1992 barley version questionnaire for the Farm Costs and Returns Survey. They met with Montana NASS personnel and barley farmers near Augusta, Great Falls, Polson, and Kalispell. These meetings provided some valuable insights into the barley production process and led to a number of recommendations on how the questionnaire could be improved.

Publications

Jim Ryan has estimated commercial farm operators' use of debt repayment capacity. By comparing actual borrowing with the debt level supportable by farmers' net cash income available for debt repayment, farmers' use of debt repayment capacity has been estimated for 1970-1992. The research indicates that in the late 1970's and early 1980's, farm debt approached the maximum level that could be serviced from farmers' current income. This supports previous assertions that farmers' inability to meet debt repayment obligations from current income flows was a contributing factor to the farm financial crisis of the mid-1980's. Debt capacity utilization in 1991 and 1992 appears to be relatively stable, as the effects of anticipated lower interest rates largely offset expected declines in net cash income available from debt servicing. Preliminary results of this research were published in the May issue of *Agricultural Income and Finance: Situation and Outlook*.

Sean Chance and **Ken Erickson** have a special article, "Farm Financial Performance of Farms by Farm Credit District, 1980, 1985, and 1990" in the September issue of *Agricultural Income and Finance: Situation and Outlook*. The article examines the financial performance of U.S. farms for these years. It concludes that U.S.-level measures of performance mask the variation among farms by Farm Credit System (FCS) district. The stresses and strains on resources used in agricultural production can be better understood when studied by one FCS district relative to other districts, at various points in time.

Papers Presented and Meetings Attended

Charles Barnard presented a paper at the annual meeting of the Agriculture Institute of Canada, which was held July 5-8 in Brandon, Manitoba. The paper, "Financial Characteristics of Canadian and American Farms" was coauthored by Julie Grimard of Agriculture Canada. The analysis was based on USDA's Farm Costs and Returns Survey and the Canadian Farm Credit Corporation Survey. In financial terms, farms in both countries are quite similar, whether the comparison is in the aggregate, by size, or by farm type. Major exceptions are hog and poultry farms, for which the structures of the industries are substantially different in the U.S. and Canada.

Briefings and Miscellaneous

Jim Ryan has been appointed Secretary of the National Agricultural Cost of Production Standards Review Board.

Farm Firm and Household Well-Being Section

Research and Analysis

Sean Chance, University of Florida, a summer intern in the section, analyzed the Farm Costs and Returns Survey to study the farm business choice of lenders, in particular the Farm Credit System and commercial lenders. Sean has completed a draft of this paper and will likely pursue the subject in more depth for his M.S. thesis.

Publications

Janet Perry and Mary Ahearn have written an Agricultural Information Bulletin, *Limited Opportunity Farm Households in 1988*, soon to be released. This study identifies approximately 200,000 farm households with low farm assets, low farm income and household income below the poverty level. They are generally older and less well-educated than other farmers.

Mary Ahearn, Janet Perry, and Hisham El-Osta have written an Agricultural Economics Report titled *The Economic Well-Being of Farm Operator Households, 1988-90*, soon to be released. The report is a comprehensive review of the economic and social characteristics of farm operators and their households. More than 140 statistical tables are included in the report which include detail by farm characteristics, household characteristics, and operator characteristics. Many of the statistics are reported for the first time, such as hours operators and spouses work on and off their

farms, and provide a more complete description of the diversity among farm operators and their households than ever before. A summary of the report for 1990 by Janet Perry titled "Economic Well-Being of Farm Operator Households, 1990" was published in the May 1992 issue of *Agricultural Income and Finance: Situation and Outlook*.

Janet Perry and Luther Tweeten (Ohio State University) wrote "An Inquiry into the Psychic Benefit-Cost Ratio of Farm Family Adjustments", chapter 1 of *Research in Domestic and International Agribusiness Management, Volume 10*, edited by Ray A. Goldberg and published by JAI Press, Greenwich, Connecticut. The chapter reports on data from a survey of Oklahoma farmers who ceased to farm during the 1980's. It concludes that while there is a great amount of stress when facing farm financial adjustments, farmers consider themselves better off for making farm adjustments including finding alternative work and residence.

Papers Presented and Meetings Attended

Mary Ahearn presented "The Role of Off-farm Employment: Permanent or Transitional State?", written with Hisham El-Osta, at the American Agricultural Economics Association (AAEA) meetings in Baltimore on August 9-12. Recently the traditional view that off-farm employment is a transitional state for farm operator households has been challenged. The paper tested this traditional view by estimating a standard off-farm labor participation model for the U.S. which includes variables that capture entry and exit stages of farm households. The results indicate that the hypothesis of a transitional stage cannot be rejected.

Hisham El-Osta presented "An Ex Ante Examination of Technical Efficiency of Corn Production with Alternative Tillage Systems" at the AAEA meetings. The study, coauthored with William McBride (Farm Costs and Return Section) and Robert Pelly, found that on average, farms using conventional, reduced, and no-till tillage systems were 61, 63, and 56 percent efficient, respectively. Factors such as availability of credit, size of farms, tenancy characteristics, technical services and farm improvements, and off-farm employment were important in explaining the technical inefficiencies of these farm groups.

Faqir Singh Bagi presented a paper titled, "An Inquiry into the Causes of Cross-National Economic Growth," at the AAEA meetings. The paper, written with Sukhwinder K. Bagi (Bloomsburg University), is based on pooled cross-section of time series data from 1960-1985 for 114 countries. The study shows that long-term economic growth rates tend to converge across

countries. Increases in government spending and aggregate private consumption as a percent of gross domestic product (GDP), and rising inflation slow down long-term economic growth, while increases in investment as a percent of GDP accelerates economic growth. Population growth and lack of civil liberties tend to slow down economic growth in per capita real GDP, while net trade balance, exchange rate, and growth in the exchange rate have a positive relationship with economic growth rate. However, the impacts of population growth, lack of civil liberties, net trade balance, exchange rate, and growth in exchange rates are not uniform across continents.

Donald Bellamy presented a poster titled "Human Capital in Agriculture: Education, Age and Farming Experience of Farm Operators" at the AAEA meetings. The poster shows that educational attainment has risen for both farm operators and the U.S. population over time. Although the educational gap has decreased, farmers still lag the U.S. population somewhat in completion of college. The age structure of farmers has shifted to older age categories, as has the general U.S. population, but at a faster rate. The poster also shows that experience on the farm counts; the greater the number of years of farm experience, the more favorable the financial position. Donald had a related article published in the May 1992 issue of *Agricultural Income and Finance: Situation and Outlook* titled "Educational Attainment of Farm Operators."

Robert A. Hoppe presented "Poverty in Rural America: Trends and Demographic Characteristics" at the Rural Sociological Society Annual Meeting held at Pennsylvania State University, August 16-19. This paper was prepared as a contribution to the society's Task Force on Persistent Rural Poverty. The paper shows that poverty is as much a rural problem as an urban one. The poverty rates for various population groups in rural areas are high, generally comparable to the corresponding central city rates. The exceptions are the poverty rates for unrelated individuals and blacks, which are higher in rural areas than in central cities. The poor have different characteristics in rural and urban areas. For example, the rural poor are more likely to live in married-couple families than either the central city or suburban poor. These differences have implications in the selection of ways to help the rural poor.

Briefings and Miscellaneous

Mary Ahearn continued her work with the Labor Subcommittee, AAEA Taskforce on Standardization of Commodity Costs and Returns Measurement, and met with the Taskforce in Baltimore, MD, August 12-13.

Personnel News

Donald Bellamy left ARED to accept a position at the Agricultural Cooperative Service of USDA.

Farm Income Estimation Section

Research and Analysis

Section members completed the estimations of farm income for the U.S. and States for 1991. They have also completed the accompanying revisions to the income accounts for several preceding years. Changes in the estimation and revision methods were minor this year, following two years of major improvements in the methods. Data used in the farm income estimations came from the 1987 Census of Agriculture and AELOS, a follow-up survey to the 1987 Census.

AELOS provided much needed data that had been unavailable for 10 years and led to a substantial upward revision to the value of housing stocks. The value of housing stocks is used in the farm income accounts as the basis for imputing rent for farm dwellings.

Publications

Selected farm income statistics were published in the September issue of *Agricultural Income and Finance: Situation and Outlook*. The cash receipts from sales of the commodities component of the accounts were published in *Ranking of States and Commodities by Cash Receipts, 1991* in October.

More farm income statistics will be published in November and December issues of *Economic Indicators*.



FINANCE AND DEVELOPMENT POLICY BRANCH

View from the Branch

By Pat Sullivan, FDP Branch Chief

For several of us, 1992 will be affectionately remembered as the year of regulatory review. What started as a 3-month intensive effort to estimate the costs and benefits of regulatory changes proposed by the Farmers Home Administration (FmHA), the Rural Development Administration (RDA), and the Rural Electrification Administration (REA) has grown into a much longer-term project. With several Presidential extensions, this effort promises to go through the end of this calendar year, and perhaps beyond. To date, the Branch has prepared over 75 reviews that evaluate a range of proposed changes from minor alterations in loan application procedures that affect a handful of borrowers each year, to major changes that could redistribute billions of dollars in contingent liabilities among taxpayers and program participants. As with many staff requests, we are working with information that is often scarce and time that is too short to allow concise estimates of the impacts of most of the proposed changes. However, we are clarifying the economic forces at work and are identifying the potential winners and losers. The review process aims

to save the American public time, money, and the aggravation of complying with unnecessary Federal regulations.

For Branch members not on regulatory review team, 1992 has been a busy year in terms of special requests. Topics of special staff requests included: (1) credit subsidy calculation for the U.S. and Canada Free Trade Agreement, (2) historical measures of credit subsidies for the GATT negotiations, (3) reviews of proposed tax and credit legislation, (4) analyses of the economic impacts of interest rate fluctuations, and (5) the President's economic growth and health insurance proposals.

Despite all of the Branch's "quick-turnaround" staff requests, an impressive amount of longer-term research was completed during FY 1992. Dave Sears edited a special volume of *Policy Studies Journal*. Other members of the branch contributed to 24 journal articles published during the year in the *Review of Economics and Statistics*, *Growth and Change*, *Review of Regional Studies*, *Journal of Education Finance*, *Economic Development Quarterly*, and other journals. Seven monographs were published, and Branch staff wrote chapters that appeared in numerous other reports. And

through a number of efforts to coordinate our activities with those of other branches and agencies, FY 1993 looks just as promising.

While regulatory review appears to have developed a life of its own, there are new interagency initiatives getting underway that have the potential of becoming an important part of our work. The Branch is likely to be heavily involved with the State Rural Development Councils (SRDC's) over the next few years. Tom Rowley will be administering this interagency effort for ERS, and has promised to involve many others throughout ARED once this effort begins. Our involvement may include conducting research tailored to specific SRDC needs, working in cooperative research efforts with State-based researchers, or synthesizing research results applicable to problems faced by many SRDC's.

Another potential effort involves evaluating the financial strength of Farmer Mac's portfolio. The Farm Credit Administration's Office of Secondary Market Oversight has asked Bob Collender and Steve Koenig to assist with an evaluation of the capital level Farmer Mac would need to maintain to survive a replay of the farm financial stress of the mid-1980's. Congress has mandated that such a study be completed before the end of 1993.

Branch Office

Research and Analysis

The Branch recently entered into a cooperative research agreement with the Center for Farm and Rural Business Finance (sponsored jointly by the Universities of Illinois and Arkansas) to undertake a study titled "Efficiency of Financial Markets." Peter Barry and Sharon Bard (both of the University of Illinois) will be examining differences in the average interest rates charged by banks on their farm loans, both within regions and between regions, to determine the size of, and possible explanation for, interbank differences in interest charges.

Publications

Rural Information Systems: New Directions in Data Collection and Retrieval, recently published by Iowa State University Press, includes a chapter by Deborah Markley and Pat Sullivan titled "The Rural Financial Structure." The chapter: (1) describes available data on financial market transactions that affect farmers and nonfarm rural businesses, (2) assesses the data's usefulness for research on the role financial markets play in rural development, and (3) suggests alternative strategies for augmenting currently available data.

Papers Presented and Meetings Attended

Pat Sullivan presented a paper titled "The Structure of Rural Bank Markets and the Cost of Borrowing: The Case of FmHA Guaranteed Loans," at the annual meeting of Regional Research Committee NC-207 in St. Paul, MN, September 28-29. Using information on rural banks, FmHA guaranteed farm loans, and the credit worthiness of farmer borrowers, this research attempts to determine whether the local bank market structure affects the cost of farm credit.

Agricultural Finance Section

Research and Analysis

Robert Collender analyzed the economic costs of Chapter 12 bankruptcy, which is due to sunset next year. Proposals have been introduced in a Senate committee to extend Chapter 12 indefinitely and provide similar legislation for small nonfarm businesses. Bob's analysis indicates that Chapter 12 increases bankruptcy costs relative to Chapter 11, with maximum total economic costs approaching 100 percent of assets for firms that declare Chapter 12 bankruptcy. An ERS staff report, *Bankruptcy Costs Under Chapter 12*, is forthcoming.

Laura Geis is investigating the role of the Banks for Cooperatives (BC's) in coordinating investments in industry capacity. This is a continuation of research she began at Michigan State University, and involves surveying the 300 largest cooperatives in the country regarding their investment and financing decisions, as well as interviewing the senior credit staff of the BC's. Her research examines the extent to which the BC's are able to influence the investment decisions of their borrowers in order to avoid conditions of industry-wide excess capacity.

Ted Covey recently completed an analysis which showed how futures prices influence the prediction of asset cash prices up to 10 days ahead. The contribution of futures prices was shown to be associated with the decentralization in cash market of assets. Ted and coauthor David Bessler (Texas A&M University) have submitted their results to a finance journal for publication as an article titled "Futures Contribution to Predicting Daily Cash Prices: Information or Noise?"

Using the same futures prices data, Ted finds evidence of information gains to intra-day futures trading in futures markets. However, these are not universal across all markets. Results of this study will be presented at the Southern Agricultural Economics Association meetings to be held in Tulsa in 1993.

Publications

"A Regional Assessment of Farm Bank Lending," by Douglas Duncan, was published in the *Journal of Agriculture Lending*, printed by the American Bankers Association (ABA). The study reveals significant regional variability in the performance of farm banks among Federal Reserve Districts. Among districts with more than 50 farm banks, the rate of return on equity ranged from 9.2 to 11.5 percent. Farm loan volume increased in a range from 10 percent in the St. Louis District to only 1.9 percent in the San Francisco District. Overall, bank-held farm loans were up nearly 6 percent in 1991, real estate-backed loans were up 7 percent, and production loans were up 1.5 percent. An article based on this work titled "USDA Notes Regional Differences in Farm-Loan Growth" was published in an ABA August 5, 1992, special report on agricultural bank performance, and in the July 28, 1992, issue of *ABA Bankers Weekly* as "Agricultural Department Finds Regional Differences."

Agricultural Mortgage Activity of Major Lenders, ERS Staff Report No. AGES 9323, by Steven R. Koenig, was published in August. The study focuses on the flow of farm real estate debt by four types of lenders serving agriculture: (1) commercial banks, (2) the Farm Credit System (FCS), (3) life insurance companies, and (4) the Farmers' Home Administration (FmHA). Analysis of data from surveys and regulatory reports indicates that total mortgage origination volume has fallen sharply in the past decade. Also, commercial banks have become a major supplier of farm mortgages, while the FCS and FmHA are experiencing greatly diminished roles in the farm mortgage market.

In an article titled "National and Regional Persistence of High Performance Agricultural Banks in the 1980's," Douglas Duncan and George Wallace examined the operating characteristics of banks that consistently loaned to agriculture throughout the 1980's. Results demonstrate that some banks were able to remain profitable despite the recession in the farm economy at mid-decade. The article was published in the summer issue of the *Review of Regional Studies*.

An article by David Bessler (Texas A&M University) and Ted Covey titled "The Search for Economic Structure" was published in the 75th anniversary edition of the *American Journal of Agricultural Economics* in October. The article discusses the different approaches to finding structural relationships between economic variables using experimental and secondary data.

Papers Presented and Meetings Attended

Douglas Duncan participated in the 1992 Chicago Federal Reserve Bank Conference on Bank Structure and Competition. The conference was held May 6-8 and was titled "Credit Markets in Transition."

David Henderson (Ohio State University) and George Wallace presented a paper titled "Commercial Bank Consumer Lending and Retail Sales in Rural Hierarchies" at the Mid-Continent Regional Science Association Meetings in Stillwater, OK, June 4-6. Many rural hierarchies are increasingly dominated by a few growth centers, while the retail sector in adjacent smaller communities either stagnates or declines. This paper tests the hypothesis that consumer borrowing from commercial banks contributes to the growth of regional commercial centers. Economic theory was combined with central place theory to develop a conceptual model of the relationship between retail sales and consumer lending by commercial banks in a rural hierarchy. A three-tiered 49-community hierarchy was constructed using retail sales data from the Minnesota Department of Revenue and bank loan data from the Call Report of the Board of Governors of the Federal Reserve System.

Robert Collender organized and moderated a symposium on "Competitive and Public Policy Issues Facing the Farm Credit System" at the American Agricultural Economics Association (AAEA) annual meetings in Baltimore, August 9-12. Participants included John Brake (Cornell University), David Trechter (University of Wisconsin-River Falls), Robert Rathbone (Agricultural Cooperative Service) and Bob. The symposium provided a forum for researchers, regulators, and Farm Credit System (FCS) representatives to explore common issues and examine research priorities. Topics discussed included: (1) the relationship of the FCS to Farmer Mac, (2) the need to establish rules for intra-system competition, (3) structural issues concerning the Farm Credit Administration, (4) impacts of bank reform, (5) the underwriting standards of FCS, (6) FCS institutions' lending practices to weak or beginning farm borrowers, and (7) differences between the principles of cooperatives and FCS practices.

In another session of the AAEA meetings, Bob Collender presented "Production Economies and Inefficiencies in the Farm Credit System." This paper investigates how efficiently the Farm Credit System associations supply agricultural credit. In general, substantial ray-scale economies are found for both Production Credit and Federal Land Bank Associations. Inefficiency measures are found to be considerably

higher than those found elsewhere for commercial banks.

Steve Koenig presented a paper written with Jerry Stam titled "Life Insurance Company Farm Lending During the 1980's: Evolution or Revolution?" at the NC-207 Regional Research Committee meeting on September 28-29 in St. Paul. NC-207 addresses "Regulatory, Efficiency and Management Issues Affecting Rural Financial Markets."

Briefings and Miscellaneous

Ted Covey served as a mentor for one of ARED's summer interns. Ted attended a Mentor's Learning Workshop in June.

Robert Collender addressed a group of 22 Czech loan officers and credit managers on June 26 about the U.S. banking system. Participants also attended a short course on Agricultural Finance at the Ohio State University as part of the Cochrane Fellowship Program.

Robert Collender and **Steven Koenig** participated in a U.S. Information Agency Worldnet Telecast on "Financial Policy Issues and Design of Institutions Serving Agriculture," on July 6. The program was in a question and answer format, with questions coming from Jose Luis Samaniego of the Mexican Ministry of Agriculture and Water Resources and Roberto Cabral of the Mexican National Confederation of Agricultural Workers. Most questions focused on the history of U.S. financial institutions serving agriculture and the current role of the Federal Government in credit allocation. The program was broadcast in Spanish to Latin America and in English to the Caribbean.

Robert Collender attended the Farm Credit System Assistance Board's (FCSAB) quarterly briefings for the first and second quarters of 1992. Jerry Stam and **Laura Geis** also attended the second quarter 1992 briefing. These briefings reviewed the financial status of assisted institutions and compliance with terms of assistance. As of June 1992, all assisted districts were outperforming projections and no additional districts were expected to require assistance before the FCSAB ceases operations at the year's end. As per the Agricultural Credit Act of 1987, the Farm Credit System Insurance Corporation will take over most of the responsibilities of the FCSAB on January 1, 1993.

On September 4, **Robert Collender** briefed Dr. Eugeniusz Sobczak, a district extension director from Poland, on agricultural credit and agricultural lending practices in the United States. The need for competition among lenders and problems with

subsidized and direct government lending programs were emphasized.

Jerry Stam and **Laura Geis** attended the fall meeting of the National Agricultural Credit Committee (NACC) on September 21 in Chicago. Jerry is the NACC secretary.

Robert Collender attended a conference on "Efficiency and the Financial Services Industries," co-sponsored by the Federal Reserve Bank of Atlanta and Georgia State University, on September 24 and 25.

Upcoming Events

Robert Collender is organizing a session on "Expense-Preference Behavior in Financial Intermediaries" for the Allied Social Science Association meetings in Anaheim, CA, January 3-5, 1993. He will present a paper titled "Expense-Preference Behavior in a Government-Sponsored Enterprise: The Case of the Farm Credit System."

Personnel

Laura M. Geis joined the Agricultural Finance section in May, 1992 as an economist. She was previously in graduate school at Michigan State University, where she is pursuing a Ph.D. in Agricultural Economics. She holds a B.S.F.S. degree in International Economics from Georgetown University, and a M.A. degree in Economics from Michigan State University. Laura's past work experience includes: (1) merger analyst for a bank consulting firm, (2) instructor in Public Affairs Management at Michigan State University, (3) consultant for various organizations, including the Michigan Industrial Development Institute, the Greater Lansing Chamber of Commerce, and various small businesses. She is currently researching the role of the Banks for Cooperatives in coordinating investments in productive capacity in the industries to which they lend, and other topics related to farm lending institutions. Laura, a native of Brookville, IN, currently lives in Adams Morgan, where she enjoys bicycling in Rock Creek Park, reading novels, and entertaining friends when she is not working on her dissertation.

Douglas Duncan recently joined the staff of the Mortgage Bankers Association of America (MBA) as an economist. Doug is conducting legislative and regulatory policy analysis for the MBA as well as research on industry performance. Most mortgage bankers don't have an economics staff "in-house" but rely on the MBA for both macro and microeconomic analysis.

Government and Development Policy Section

Research and Analysis

Tom Rowley and Peter Stenberg have completed a study of the economic effects of military base closures in rural counties. The study shows that: (1) job losses from base closure tended to constitute a higher percentage of total employment in nonmetro counties than in metro, (2) of the 83 base-closing counties studied, one-third (split roughly equally between metro and nonmetro) did not regain as many jobs on the former base facilities as were lost, and (3) growth rates for employment, income, and population were slower in the average nonmetro base-closing county than in both the average metro base-closing county and the average nonmetro county nationwide.

Anicca Jansen, who is studying the developmental impacts of Native American-operated casinos, visited three casinos and conducted several interviews, while vacationing at her parents' home in Southern Minnesota in August. Casino gambling is currently receiving a lot of attention because it touches on controversial issues (such as tribal sovereignty and governmental encouragement of gambling), while, at the same time, it resuscitates some rural economies. Busloads of tourists now visit isolated rural areas. As one casino manager said, "If you put a slot machine in the middle of a pasture, people will find it." Tourists drawn by gambling are interested in other activities. An Extension-sponsored survey of casino patrons found that 80 percent were interested in another activity in addition to gambling, such as shopping, golf, local arts and crafts, and hunting and fishing. Thus, achieving the full potential benefits from gambling may require developing the complementary tourist activities.

Lorin Kusmin, John Redman, and Dave Sears have been examining factors associated with differences in the earnings growth experienced by nonmetro counties during the 1980's. In a multivariate regression analysis, they find that labor market conditions, education, local taxes, and access to transportation were among the factors significantly associated with earnings growth. Regional differences and differences in the industrial composition of the local economies were controlled for. Factors associated with earnings growth were: (1) low wage levels during the late 1970's, (2) the presence of State right-to-work laws, (3) high rates of high school completion in the adult population, (4) high levels of per-pupil expenditure in the public schools, (5) access to interstate highways and/or to airports with regular passenger service, and (6) industrially diversified employment. Counties where local taxes and other

general revenues claimed a large share of local incomes were found to have slower earnings growth.

Tom Rowley and Anicca Jansen are co-editing a special issue of *Rural Development Perspectives* on rural development policy. In the introductory article, Tom and Anicca examine how changes in the rural economy and the public sector may affect rural development policy. Other articles focus on the changing roles of government and the effects of environmental constraints on economic development.

Publications

Anicca Jansen is a member of a team studying multi-community collaboration as a way to create economic viability for small rural communities in the U.S. and Canada. The research team includes Vern Ryan (Iowa State), Jack Stabler (University of Saskatchewan), and Bev Cigler (Penn State). The project is under the direction of Peter Korschning, Director of the North Central Regional Center for Rural Development (NCRCRD), and Tim Borich, NCRCRD Project Coordinator. The team presented preliminary findings of their research on collaborative efforts in Nebraska, Michigan and Alberta, at an NCRCRD-sponsored conference last November. The proceedings have been published by the NCRCRD as *Multicommunity Collaboration: An Evolving Rural Revitalization Strategy*, RRD-161. The proceedings include the following chapters written or cowritten by Anicca: (1) "In Search of Multicommunity Collaboration: Three Case Studies," (2) "Multicommunity Collaboration: A Framework for Analysis," and (3) "Native American Multicommunity Collaboration."

The cover story of the August issue of *Farmline*, titled "Developing Strategies to Rebuild Rural Economies," presents some of the highlights of a recent Aspen Institute report co-authored by Dave Sears, John Redman, Dick Gardner (State of Idaho), and Steve Adams (State of Maine). The Aspen report, *Gearing Up for Success: Organizing a State for Rural Development*, is part of a multi-volume series on "best practices" in rural development.

Peter Stenberg reviewed *The High-Tech Potential: Economic Development in Rural America*, written by Amy K. Glasmeier (1991, New Brunswick, New Jersey: Center for Urban Policy Research, Rutgers University). The review was published in the May issue of the *Journal of Regional Science*. The book is a broad examination of the potential for high-tech job growth in nonmetropolitan areas of the United States. The material and arguments presented are aimed primarily at planners, policy makers, and others interested in the promise of high-tech industry for rural economies.

Peter also reviewed *Recreational Tourism: A Social Science Perspective*, written by Chris Ryan, for the August issue of the *Journal of Regional Science*. The book covers the determinants of demand for tourism; the experience of the tourist; the demand for a tourist resort area; the economic, ecological, and social and cultural impacts of tourism; and marketing issues in tourism.

Briefings and Miscellaneous

Rick Reeder participated in the April 16 meeting of the USDA Regional Research Committee NC-137, in Arlington, VA. The meeting focused on rural transportation.

John Redman attended two 1992 Rural Development Policy Academies, one in May and one in August. The Academy is run by the Council of Governors' Policy Advisors, an affiliate of the National Governors' Association, and is funded primarily by the Ford and Kellogg Foundations. The Academy format included expert who spoke on pertinent subjects. As a part of this program, John spoke on the use of industrial sector studies as a component of State strategy development.

In August, Martha Frederick (HRI) and Calvin Beale (HRI), along with Rick Reeder, Peter Stenberg, and Tom Rowley met with Julie Franklin, Executive Director of the Congressional Caucus on Travel and Tourism. Franklin requested the meeting after attending the Partners in Rural Development brown bag meeting featuring Allan Worms, a tourism specialist at the University of Kentucky. Members of the Caucus are concerned that the economic impacts of tourism are being undercounted because of definitional problems--there is difficulty defining tourism via SIC codes. Martha and Cal shared the results of their recent work on rural tourism, Rick and Peter added insight gained from past experience with the topic, and Tom provided an overview of the rural development research being done in ERS.

Tom Rowley and Anicca Jansen co-chair the Partners in Rural Development Brown Bag Luncheon Seminar Series, which meets monthly. Recent speakers included: (1) Ken Deavers (OD) spoke on ERS's involvement in the rural development efforts of the OECD, (2) Shirley Calloway and others from the Community Voices Project spoke on the history and success of their program, (3) Allan Worms (University of Kentucky) described tourism as a development tool in that State, and (4) a panel of Americans and Germans assembled by the National Association of Development Organizations (NADO) described their project of pairing development practitioners from the two countries to learn from the other's experiences.

Ken Deavers (OD), Ron Durst (Rural Finance and Tax Section), and Rick Reeder briefed Assistant Secretary Dan Sumner in May on enterprise zones and their potential as a rural development strategy.

In August, several ERS staffers briefed the newly selected Deputy Directors for Strategy for the seven regional offices of the Rural Development Administration. Dave Sears described the role of the State Rural Development Councils in developing and implementing rural development policy.

Personnel

Tom Rowley has been named manager of ERS's program of support for the State Rural Development Councils (SRDC). The Councils are the key element of the National Initiative on Rural America. They are composed of representatives from Federal, State, local, and tribal governments, together with representatives from the private and nonprofit sectors. Currently, there are eight Councils, with more being formed this year. Eventually, all 50 States and 5 territories are scheduled to form SRDCs.

Cory Wanek and Rebecca Kopchik were summer interns with the Section. Cory is an economics major from the University of Wisconsin at Milwaukee; his major project involved a look at the role of rural airports in rural development. Rebecca is an economics major from Occidental College in Los Angeles. She specialized in learning a variety of software packages and assisting Section researchers produce numerous charts and graphs for reports.

Bill Amt has retired from ERS after a 3-year career. He has joined the Peace Corps and will be serving on community development projects in the Ivory Coast. He'll be much missed, but has promised to send postcards.

Rural Finance and Tax Section

Research and Analysis

Jim McGlone is using the Survey of Small Business Finances, completed by the Federal Reserve Board of Governors in 1989, to study rural business use of credit. Preliminary analyses indicates that the only difference between rural and urban businesses is that rural businesses are more likely to have a commercial real estate mortgage. This supports evidence from intertemporal data from the National Federation of Independent Businesses that shows that over the period 1983-87 there was little difference between urban and rural credit markets.

Publications

The September issue of *Agricultural Income and Finance: Situation and Outlook*, includes a special article by Michael Compson titled "The Health Insurance Status of Farm Operators, Managers, and Workers and the President's Health Care Reforms." The article reveals significant differences in health insurance coverage among farm operators, managers and farm workers. The underlying reasons for the disparity are the lack of employer-provided health insurance, the current incentives in the Federal tax code, and the income of farmers. The analysis explains the Administration's proposed comprehensive reforms for the health insurance industry. These reforms have the potential to reduce the number of uninsured farm operators, managers, and workers. The analysis uses the 1989 National Health Interview Survey, Health Insurance Supplement.

"The Effects of Changes in Federal Income and Social Security Taxes on Farmers," by Ron Durst and Michael Compson, was published in the July issue of the *Southern Journal of Agricultural Economics*. The article examines the impact of the 1986 Tax Reform Act and the 1983 Social Security Amendments on effective Federal income and social security tax rates and average tax payments. Ron and Mike found that, despite the sharp reductions in Federal marginal income tax rates, the Federal income tax continues to be progressive. However, the regressive nature of the social security and self-employment tax greatly reduces the progressivity of the combined Federal income and payroll taxes.

Papers Presented and Meetings Attended

Michael Compson attended the National Tax Association Symposium on "Taxes and Spending in the Age of Deficits," in Alexandria, VA on May 18-19. The symposium was attended by tax experts from the Federal Government and the private sector. Papers presented at the symposium examined such topics as tax policy and health care, business taxes, and various State and local tax issues.

Ron Durst attended the Western Agricultural Economics Association annual meeting in Colorado Springs, July 12-15. Ron presented a paper "Implications of Reduced Capital Gains Taxation for Farmers," cowritten with Michael Compson. The paper examines the implications for tax rates and land values of enactment of a capital gains tax reduction, such as that proposed in the FY 1993 budget. Results suggest that the reduction of such rates would increase land values.

Briefings and Miscellaneous

Jim Mikesell responded to several requests to evaluate the likely economic impacts of changes in FmHA housing programs. Since February, all proposed regulatory changes in USDA programs have been subject to such review. Changes evaluated have ranged from relatively minor modifications aimed at tightening administrative rules to a proposed major restructuring of FmHA's principal housing program, which is Section 502, Single Family Housing.

Personnel Actions

Kay Anderson joined the Rural Finance and Tax Section in July. Prior to coming to ERS, she worked four years in the Department of Labor as an economist with the Bureau of Labor Statistics. Kay is originally from Belvidere, IL. She earned a B.S. in Mathematics and Economics from Illinois State University and a M.A. in Economics from Northern Illinois University. Kay's research will focus on rural small business credit markets.



HUMAN RESOURCES AND INDUSTRY BRANCH

View From the Branch

By David McGranahan, HRI Branch Chief

Calvin Beale is now officially an, "ERS Distinguished Scholar," a title he has held informally for many years. He has amassed any number of official and unofficial titles and awards in the past few years. My favorite is still, "Demographer in Demand" (The New York Times).

One difficulty with working in ERS is getting other measures of our research quality. The number of journal publications is one indicator, but some of our better work is released as reports. Academic background is another indicator, but some of our best researchers have no PhD. I was doubly pleased that three of the Cooperative State Research Service's (CSRS's) new rural development research grants went to members of our Branch. For two of the grants, ERS is the leading institution. Not only are the extra funds extremely useful, but the awards indicate a very talented staff.

Competition for the CSRS grants was quite heavy. Of the 85 proposals rated and ranked by an

interdisciplinary panel of academic researchers, only the top 14 were funded. With the exception of UC-Davis, with two grants, no other institution participated in more than one grant. Each of HRIB's three sections is represented by a grant, and more detail is presented in the respective Section news write-ups.

Branch Office

Briefings and Miscellaneous

John Lee (OA), with the unanimous concurrence of the Division Directors, named Calvin Beale ERS's first Distinguished Scholar in August. Reprinted here is the statement Lee made when announcing the decision:

Calvin Beale is a man of unbounded curiosity with an unparalleled knowledge of rural America, a Renaissance man. A visit to this office will often find him pouring over Census county data, jotting down one or another number. Other times he is found on the highway, visiting one county or another. These forays deepen his knowledge of the diversity of rural people and places, yet allow him to identify broad truths. Calvin was the first person to recognize the rural turnaround of the 1970's, and early to understand its demise in the early 1980's.

For most honors and awards, we recognize people for their past achievements. In naming a Distinguished Scholar, we anticipate future contributions as well. Rather than summarize Calvin's accomplishments--which is ably accomplished in *A Taste of the Country*, a book of Calvin's writings edited by Peter Morrison--I want to dwell on current endeavors, which show that he is a scholar of remarkable breadth and depth and of truly national stature.

This year Calvin has received several invitations to speak or write, only some of which he has been able to accept. A group of European anthropologists asked him to present a paper on American triracial groups at their conference next winter. The Rural Studies Center wants him to write a chapter on the geography of rural poverty for a book they are editing. At the Rural Sociological Society this month, he is discussing proposals to the Census for new definitions of rural and urban. Calvin represents USDA on the Federal Executive Committee on Metropolitan Areas, which gives him a unique vantage of issues of rural-urban definition. Calvin will also be speaking at the Southern Demographic Association on the location of new prisons and rural population growth. Calvin's publications of the past year include a piece on rural fertility in *Rural Sociology*, and three ERS articles, on changes in the rural age structure, population change, and black farmers. His speaking engagements this year on general rural trends include: the Washington Journalism Center, several national associations, the Soil Conservation Service, and a conference of planners.

Journalists often use Calvin as a source, not only for the breadth and depth of his knowledge, but also for the pithiness of the quotes they can get. Rural America is rarely a national topic, but in this past year, Calvin's observations could be found in the *New York Times*, the *Washington Post*, *US News and World Report*, *USA Today*, and the *Des Moines Register*, to name a few.

In closing, I would like to quote Calvin on the rural dilemma. The quote captures at once his eye for telling detail and his understanding of broad truths (this is from his book): "Outside the small town of Galesville, Wisconsin, a billboard proclaims, 'WELCOME TO GALESVILLE, the Garden of Eden, Industry Invited.' Here in a nutshell, the basic modern dilemma of rural America is expressed. One the one hand there is the ardent assertion of the idyllic, fulfilling quality that life in a small community can have, but then tempered by the necessity to invite the serpent of industry into the garden if people are to have the means to live there." (August 10, 1992).

David McGranahan spoke in May to the Committee on Enterprise Development, part of the 1992 Commission on the Future of the South. He presented statistics on the changing structure of manufacturing--more single

unit firms, more exports, smaller blue-collar workforce--and the implications of these changes for rural areas. The challenge to rural areas in the coming decade will be to develop informational networks that will enhance the adaptability of these areas and their producers in increasingly global markets.

At the request of the Soil Conservation Service (SCS), Calvin Beale spoke on rural and farm population trends at the SCS West/Midwest Water Resources Workshop.

David McGranahan participated in a workshop on manufacturing networks in early July. The workshop was held in Aspen, CO.

David McGranahan spoke on, "Human Resources and the Rural Workforce," at the GAO Symposium on Rural Development in July. Education levels are lower in rural than urban areas both because rural students are less likely than urban students to go on to college and because young adults with high education have been less likely to move into than out of rural areas. There is no evidence, however, that low education has inhibited rural economic growth in the past two decades. Rural manufacturing employment, for instance, has tended to rise where wage levels are low, but not in areas with more highly educated workforces. Competition simply on the basis of low wages seems likely to be a losing strategy for rural areas and industries in an increasingly global economy. Rural manufacturers will need to develop niches, technologies, and organizational forms that can take advantage of and help to develop rural workforce skills.

On August 17, David McGranahan, Paul Swaim, Dave Sears (FDP), and Rick Reeder (FDP) met with the following Forest Service personnel: Ruth McWilliams (Assistant Director of the Cooperative Forestry Staff), Susan Odell (National Coordinator for Rural Development), and Steve Yaddof (National Specialist for Rural Development). They made arrangements for ERS to contribute county-level social and economic data to help the Forest Service allocate funds for their Rural Development Initiative and Economic Recovery Program.

Personnel News

Kathleen Kassel joined the Branch Office as an Economist in September. She studied economics and Russian language at Bryn Mawr College, where she received her B.A. degree this past spring. She is particularly interested in labor economics and education issues. Kathleen was born and raised in Phoenixville, PA, and recently moved to Arlington, VA. Her personal interests include Russian literature, weight lifting, and hanging out with friends.

Population Section

Research and Analysis

Carolyn Rogers has investigated the importance of residential location on the elderly's health and use of health care services. She is currently examining transitions in health status and living arrangements between 1984 and 1990 for the elderly, aged 70 and older, to determine whether declining health is likely to result in a change in living arrangements or a move to either a metro area or an adjacent nonmetro area to obtain better health care services.

John Cromartie and **Linda Swanson** were awarded a grant in the new rural development category in the Cooperative State Research Service's National Research Initiative Competitive Grants Program. The title of their two-year project is "Exploring Rural Settlement: New Statistical Areas Based on Sub-county Geography."

Papers Presented and Meetings Attended

Paul Frenzen and **Carolyn Rogers** attended the National Center for Health Statistics Data Users Conference in Bethesda on August 5-7.

On September 10-12, **John Cromartie** attended the last meeting of the W-118 Western Regional Research Committee, a long-standing regional committee with strong ties to the Population Section, that has focussed its efforts primarily on migration. The group will re-organize with new members and explore topics of current concern to the rural West.

Carolyn Rogers presented a paper, "Transitions in Health Status and Living Arrangements of the Elderly, by Residential Location: 1984 to 1990," at the Southern Demographic Association annual meeting held in Charleston, SC, October 15-17.

Briefings and Miscellaneous

Carolyn Rogers represents ERS on the Work Group on Older Americans in Rural Areas, Interagency Forum on Aging Related Statistics. The work group participated in a briefing, "Ten Common Beliefs About Older Americans in Rural Areas: What Do National Data Tell Us?" for the Senate Special Committee on Aging and staff on August 7. Carolyn presented demographic data on the rural elderly. The work group addressed commonly-held beliefs about the rural elderly, providing detailed statistics and analysis from existing national surveys on the socioeconomic status, housing conditions, social support networks, and health status. A Committee print was published in July and is titled

Common Beliefs About the Rural Elderly: Myth or Fact?, a Staff Report to the Special Committee on Aging, United States Senate, Serial No. 102-N.

Laarni Dacquel attended two briefings in August, one for the Senate Special Committee on Aging and staff titled "Ten Common Beliefs About Older Americans in Rural Areas: What Do National Data Tell Us?" and the other organized by the National Agricultural Library's Federal Women's Program summarizing the "Symposium on Rural/Farm Women in Historical Perspective."

John Cromartie and **Robert Gibbs** recently returned from a week-long field trip in rural Georgia. With local leaders and on their own they explored economic and demographic changes in counties in different parts of the State. In September they gave a brown bag seminar on the trip.

Rural Industry Section

Research and Analysis

Merritt Hughes has been investigating the "global orientation" of rural manufacturing industries, particularly, how much import competition rural industries face. Her research has also addressed the extent of export orientation of these industries relative to the more urban manufacturing sectors. Preliminary results suggest that rural manufacturing industries have avoided increased globalization, though recent trends indicate that they may not be able to do so as effectively in the future.

Martha Frederick has agreed to be on an advisory committee for Gordon Meeks of Montana State University for his proposed study of "rural gentrification." He is studying the development of popular rural areas, such as tourist and resort areas, in terms of the changes in the cost of rural land and other economic, social, and environmental variables. One issue he wants to study is the impact rising land values have on agricultural production and on housing costs.

Michael Lahr is working on the employment-by-industry and income sections of a future supplement issue of *Rural Conditions and Trends* that will feature rural trends in population, employment, income, and housing as reflected by data from the three most recent U.S. censuses.

Michael Lahr and Janusz Szrymer (University of Pennsylvania) have been investigating the properties of the regional purchase coefficient (RPC), which is largely used to regionalize input-output tables such as those in

IMPLAN. Their results show that conventional techniques ignore the possibility of re-exports (ie., regional inflows of goods and services that are exported). Consequently they develop a generalized formula for the RPC and suggest a single alternative to the traditional formulation as best for most uses.

Michael Lahr and M. Henry Robison (University of Idaho) won a Cooperative State Research Service grant for a proposed study titled "Improving Rural Economic Models: Trade Hierarchies and Selective Survey Work." The three-year study, which started September 15, has the purpose of developing methods for building hybrid regional input-output models in a central-place hierarchical context. Mike and Hank will meet this purpose by building a model for one hierarchical branch of the Spokane, WA, market area.

Deborah Tootle is using unpublished data from the 1977 and 1987 Censuses of Manufactures to study changes in the way U.S. production is organized and how these changes may affect local rural economies and rural workers. Preliminary analyses indicate organizational restructuring in several nonmetro industries. These changes appear to be consistent with the currently popular belief that manufacturing is becoming more flexible. The pervasiveness and significance of these changes for rural economies are yet to be determined. Deborah is also collaborating with Glenna Colclough (University of Alabama in Huntsville) on a study of flexibility among high-tech industries in local labor markets in Northern Alabama.

Publications

Tourism as a Rural Economic Development Tool: An Exploration of the Literature, Bibliographies and Literature of Agriculture No. 122, by Martha Frederick was published in August. The annotated bibliography covers the topics of the tourism industry, measuring and forecasting tourism demand, valuation of tourism resources, impacts of tourism, and theories and applications of tourism development. It also includes author and subject indexes. The bibliography presents diverse viewpoints on tourism as a rural economic development tool. Most studies concentrate on the benefits of tourism and tend to ignore its costs. However, the major finding of the literature review is that each benefit of tourism development tends to be accompanied with a cost.

Deborah Tootle and Leann Tigges (University of Georgia) coauthored "Underemployment and Racial Competition in Local Labor Markets." They find that black men experience more underemployment in those labor market areas where they are heavily concentrated (primarily in the nonmetropolitan South), and that

occupational segregation helps determine the form of underemployment experienced. In labor market areas where blacks and whites do not compete for the same jobs, black men hold relatively more low-wage jobs. However, where blacks and whites compete in the same job markets, black men experience higher levels of unemployment. This article will appear in a forthcoming issue of *The Sociological Quarterly*.

Papers Presented and Meetings Attended

Andy Bernat presented a paper titled "Rural Manufacturing Performance" at the Agricultural and Rural Restructuring Group's meeting in Brandon, Manitoba, July 2-5.

Andy Bernat participated as a discussant in a conference titled "Industrial Policy for Agriculture in the Global Economy" September 16-17 in Ames, IA. The conference was sponsored by the Cooperative State Research Service, the Center for Agricultural and Rural Development, and the World Agriculture Development Foundation.

A joint research project between Anna Nagurney (University of Massachusetts) and Merritt Hughes, under a cooperative agreement, has generated a number of invited conference presentations. Presentations have been given at: (1) the Orlando ORSA/TIMS meeting in April, (2) the Society for Economic Dynamics and Control meetings in Montreal in June, and (3) the IBM Europe Summer Institute in Lech, Austria, in July. Upcoming presentations include the ORSA/TIMS meetings and the North American Regional Science Association meetings, both in November. Research results presented include parallel computation methods for financial equilibrium and formulation of financial equilibrium as a network problem.

Andy Bernat discussed changes in U.S. rural manufacturing at a meeting of the Agricultural and Rural Restructuring Group meeting in Gooderich, Ontario, October 21-23.

Briefings and Miscellaneous

On August 7, Michael Lahr received a Doctor of Philosophy in Regional Science from the University of Pennsylvania. The title of his dissertation is "An Investigation into Methods for Producing Hybrid Regional Input-Output Methods."

On August 20, Andy Bernat and Paul Swaim (Rural Labor) briefed the new Deputy Directors for Strategy of the Rural Development Administration on rural industry trends.

On September 24-25, the Section, in cooperation with the University of Guelph, held a workshop titled "Rural America and the Changing Structure of Manufacturing: Spatial Implications of New Technology and Organization." The purpose of the workshop was to discuss how the changes in the structure of manufacturing are likely to affect rural economies and workers. In addition to researchers from ERS, the following scholars attended the workshop: John Alic (Office of Technology Assessment), Edward Malecki (University of Florida), Bruce Phillips (Small Business Administration), Philip Ehrensaft and William Coffey (University of Quebec), David Freshwater (University of Tennessee), Amy Glasmeier (Pennsylvania State University), Susan Christopherson (Cornell University), Meric Gertler (University of Toronto), Alan MacPherson (SUNY at Buffalo), and James Harrington (George Mason University).

Michael Lahr was the USDA representative at the NE-162 meetings on Rural Development in Burlington, VT, on September 18-19. He made a presentation of some of the data sets that ERS uses in researching rural development issues.

Deborah Tootle has been appointed to the Board of Editors of the Rural Studies Series, which is sponsored by the Rural Sociological Society. She will serve for three years.

Upcoming Events

Andy Bernat and **Michael Lahr** are planning to attend the North American Regional Science Association Meetings in Chicago in November.

Rural Labor Section

Research and Analysis

The Cooperative State Research Service (CSRS) of USDA announced that a grant has been awarded for "Worker Skill Upgrading and Rural Revitalization," a two-year research project on which **Elizabeth Greenberg**, **Paul Swaim**, and **Ruy Teixeira** will collaborate with Professors Michael Podgursky and Dale Ballou (University of Massachusetts). They will be using a variety of new data sets to examine the potential role of schools and job training programs in preparing rural workers for employment in growing sectors of the economy and in fostering economic diversification in rural areas. Specific areas of work in the project include: (1) operational characteristics of rural schools, (2) how much rural students learn in school and why, (3) adult vocational education in rural labor markets, (4) level and composition of skill demand in rural areas,

(5) individual labor market returns to job skills in different areas, and (6) the role of skill deficits or mismatches in constraining rural development.

Robert Gibbs and **John Cromartie** (Population Section) spent the week of August 24-28 conducting field research in rural Georgia. The two researchers investigated changes in settlement patterns and job opportunities in three small counties located in the old "plantation belt" of the State. Although one purpose of the trip was to gain a better understanding of the issues that local residents felt were most important, they focused special attention on two areas: causes of the continuing concentration of the black population into incorporated places, and the narrowing job options for rural youth, particularly among blacks. John and Robert are still sorting out the tremendous amount of useful information they obtained from interviews with nearly two dozen local officials and from observation. They returned enthusiastic about the potential of field research as a valuable complement to statistical analyses of rural conditions.

Elizabeth Dagata has begun working on a study of wage levels and trends in metro and nonmetro areas. Using data from the 1979 and 1989 Current Population Survey (CPS) Earnings files, she is identifying metro/nonmetro differences in the earnings of workers in the various demographic, industrial and occupational groups and how wage levels for these workers have changed from 1979 to 1989 in both residence areas. Preliminary results suggest that nonmetro hourly wages were lower than metro hourly wages for all groups in both time periods and that workers in several of the groups were earning less in 1989 than they were in 1979.

Elizabeth Greenberg and **Ruy Teixeira** have begun a project analyzing skill demand and supply in rural areas using a number of special datasets. Analyses currently underway include: (1) a comparison of metro and nonmetro educational achievement levels using the National Assessment of Educational Progress (NAEP), (2) the effects of compositional (occupational and industrial) change on skill demand in metro and nonmetro areas for 1970-2005, using the recently released BLS 1990-2005 employment projections, and (3) content shift within occupations using the recently released revision of the *Dictionary of Occupational Titles*.

Paul Swaim is analyzing special CPS data sets on job qualifications, job training, and computer skills. Preliminary results suggest that rural workers receive less job training after leaving school than urban workers and are more likely to report inadequate computer skills, despite the fact that fewer rural jobs involve the use of computers. National trends in job training patterns and wage premiums for training are analyzed in

"Recent Trends in Employment-Related Training and Wages," co-authored with Norman Bowers (Joint Economic Committee of the U.S. Congress), which has been submitted to *Contemporary Policy Issues* for possible publication. A *Rural Development Perspectives* article is also under preparation.

Publications

Elizabeth Dagata's article, "Latest Recession Hit Both Rural and Urban White-Collar Workers," appeared in the Summer issue of *Rural Conditions and Trends*. Using CPS data, Elizabeth found that workers in a broader range of industries and occupations lost their jobs during the most recent recession than during past recessions when layoffs were largely limited to blue-collar workers. This change helps to explain why employment losses of this downturn were more evenly distributed between rural and urban areas than the employment losses of the 1981-82 recession. Tim Parker and Paul Swaim also contributed articles on employment and unemployment, respectively.

Papers Presented and Meetings Attended

Paul Swaim discussed his research on displaced workers in seminars at Georgetown University on April 9 and at the Department of Labor on May 20. Paul presented his paper, "Female Labor Supply Following Displacement: A Split-Population Model of Labor Force Participation and Job Search," to the economics department at Georgetown. The paper develops and applies a novel technique for analyzing the determinants and relative importance of unemployment versus labor force withdrawal following layoffs. Paul discussed his research on older displaced workers at the Department of Labor, as part of a brown-bag series organized by the Society of Government Economists. Although seniority rules provide older workers with some protection against layoffs, a significant number were displaced during the 1980's, particularly when plants or other establishments totally shut down. Many displaced workers age 50 or older appear to retire, while those remaining in the labor force experience longer duration unemployment and larger pay cuts than younger workers.

Briefings and Miscellaneous

For a few weeks in September, Elizabeth Dagata worked with Wendy McGuinness of the Forest Service (FS) developing economic and social measures to be used by the FS to distribute their Economic Recovery and Rural Development Funds. Wendy gave a seminar at ERS on October 8 to explain the measure that were developed and selected for use.

Personnel News

Elizabeth Greenberg joined the Section as a social science analyst in May. Elizabeth will work with Paul Swaim and Ruy Teixeira in a study of the skills of the rural workforce and the match between their skills and job skill requirements. The project will also analyze educational and training policies for meeting skill-upgrading needs. Elizabeth has a masters degree in Political Science from the University of California at Berkeley. A native of New Jersey, she currently lives in Silver Spring, MD, with her husband, Robert Blecker, and her children, Matthew and Emily.



NATIONAL ECONOMY AND HISTORY BRANCH

View from the Branch

By Tom Hady, NEH Branch Chief

It's annual report and workplan time, again, so it's time to talk about what we plan for next year. To save time, let me warn you at the outset that if you're looking for any major new programs, quit reading now. A slowly declining budget leads to evolution of programs, not revolution; seldom does it produce a major new initiatives.

That said, our plans for 1993 are still pretty dynamic. They have evolved around three themes: (1) We expect to broaden and deepen the models and relationships underlying our macroeconomic situation and outlook work. We will continue work on the relationships of national interest rates and employment to their agricultural and rural homologs, as well as research to improve our analysis of energy supply and demand. We plan a study of whether using a larger-scale, commercial macroeconomic model as a platform for our estimates would expand our outlook capacity, and we expect to conduct preliminary investigations of income distribution and the macroeconomy. (2) We will finish incorporating the 1982 U.S. input/output (I/O) table, released by the Commerce Department last year, to improve our analyses of linkages among sectors, and we'll start incorporating disaggregated household data into the I/O and computable general equilibrium models to permit distributional analysis of policy changes. Our widely-used estimates of the components of the Food and Fiber System and of the impacts of agricultural exports will be revised. (3) Work on agricultural and rural history will focus on several studies designed to provide background for existing policy discussions. We will complete and publish the history of rural development policies; work will begin on a history of American food relief overseas and a new edition of the history of farm price support and production adjustment policies. The oral history program will continue its effort to capture and record experiences of major figures in past policies and programs.

Agricultural and Rural History Section

Research and Analysis

Dennis Roth and Anne Effland conducted an oral history interview with Joseph Doherty in conjunction with the rural development policy history being prepared by the Section. Doherty was the main USDA official working on rural development programs in the Eisenhower administration and continued in various rural development posts to 1975.

Joel Schor was the guest editor of the Winter 1992 issue of *Agriculture and Human Values* dedicated to "Anachronisms or Rising Stars: The Black Land-Grant College System in Perspective." He also contributed an article to that issue titled "The Place of the Black Farmer in American Agriculture."

Papers Presented and Meetings Attended

Anne Effland attended a conference titled "Latinos in the United States: Historical Perspectives" at American University, April 9-11, sponsored by The Landmarks Program of American University and the Smithsonian Institution. The conference explored the past and present experiences of Hispanic Americans of the Southwest and Puerto Rico, and of Mexican, Central American, and Caribbean emigrants to the United States.

Douglas Bowers and Anne Effland attended the annual meeting of the Society for History in the Federal Government, April 14, at the Library of Congress. Sessions focused on collecting, protecting, and making available to researchers the documentary and material records of the Cold War.

Anne Effland attended a conference "Lois Green Carr: The Chesapeake and Beyond--A Celebration" at University of Maryland, College Park, May 22-23. The conference presented the work of 18 scholars inspired By Lois Green Carr of the Maryland State Archives. Using surviving public records of the 17th and 18th century Chesapeake region, Carr and those scholars who have adopted her methods have provided surprisingly detailed, and vigorously debated, social and economic histories of the Chesapeake and other areas during the early periods of American history. Papers were distributed to participants before the conference, allowing for lively discussion of conflicting interpretations.

Anne Effland, Denise Rogers (RTD), and Valerie Grim (Indiana University) presented "Women as Agricultural Landowners: What Do We Know about Them?" at the Fourth Annual Symposium on Rural/Farm Women in Historical Perspective at the University of California-Davis, June 26-28. The paper included information from several sources: (1) a summary of findings from 15 land tenure surveys ranging in date from 1911 to 1987, (2) data on women farmland owners from farm and popular publications and secondary historical literature from the colonial period to 1983, and (3) a series of interviews by the authors with nine women who own agricultural land. Lack of comparability in the quantitative survey data and inconsistency in the

quality and quantity of narrative materials limited the interpretation and conclusions, but the work was well-received at the symposium as a solid base from which to launch further research.

Douglas Bowers participated in a meeting of the Society for Historians of the Early American Republic in Gettysburg, PA, in July, which included papers on the rural economy in that period.

Briefings and Miscellaneous

Douglas Bowers gave a talk June 8 on the history of USDA and cooperatives before a group of Japanese insurance executives in the South Building, sponsored by the Foreign Agricultural Service.

Anne Effland served as a judge at the annual National History Day competition at the University of Maryland, June 14. National History Day offers the opportunity for junior and senior high school students to present historical research projects for judging by professionals.

Anne Effland and Denise Rogers (RTD) participated in a briefing on the Symposium on Rural/Farm Women in Historical Perspective organized by Jane Potter Gates, NAL Federal Woman's Program coordinator, at the National Agricultural Library, August 25.

Personnel Actions

Jeannette Smith and Davida Grant joined the Section over the summer as interns and helped update the computer index of Section holdings and filing. Jeannette is a political science major at American University. Davida majors in journalism at the University of Maryland, College Park.

Macroeconomics Section

Research and Analysis

Mark Denbaly and Mudiayi Ngandu (Tuskegee University) have started a joint effort to analyze "The Effects of Macroeconomic Conditions on Economic Performance of Alabama's Black Belt Counties." They seek to: (1) establish the sensitivity of economic well-being in the "Black Belt" counties of Alabama to national economic and regional economic fluctuations, (2) analyze the transmission mechanisms between national and regional economies and the economies of "Black Belt" counties, and (3) analyze strategies for improving the economic well-being of these counties.

Karen Hamrick has been examining the behavior of the rural unemployment rate over the business cycle. The rural unemployment rate would be asymmetric if it rises

faster than the U.S. unemployment rate in a recession, and decreases more slowly than the U.S. rate in an economic expansion. Seasonally adjusted quarterly data were used to show that the rural unemployment rate and the rural adjusted unemployment rate (which includes part-time workers who want a full-time job, and discouraged workers) display no asymmetry greater or different than that which may exist in the U.S. unemployment rate. Further testing for asymmetry will be done on the rural rate using alternate test methods.

Dave Torgerson has been examining the response of the U.S. and farm economies to the oil price shocks of the 1970's. He finds that farming responded much the same as the rest of the economy. The increase in electricity use was less dramatic in the farm economy than in the economy as a whole. In contrast the decline in the use of gasoline was much more pronounced, thus continuing a trend begun in agriculture in the 1950's when diesel fuel began to replace gasoline as the primary energy source in agriculture.

Publications

Mark Denbaly published a paper titled "Soviet Feedgrain Consumption: A Stable Long-Run Relationship?" in the June issue of the *Journal of Comparative Economics*. Mark developed an empirically dynamic model of Soviet consumption demand which ties the movements in the feedgrain consumption to fluctuations in international precious metal and U.S. corn prices. By measuring their influences, he shows the importance of these variables.

In a paper titled "Macroeconomic Determinants of Relative Wheat Price," Mark Denbaly and David Torgerson have resolved the problems in measuring the effects of real exchange and interest rates on relative agricultural commodity prices. They also provide the first measurement of the extent by which changes in monetary policy since 1977 have caused the relative wheat price to deviate in the short run from its long-run equilibrium level. This work is in the Fall issue of *Journal of Agricultural Economics Research*.

Papers Presented and Meetings Attended

Tom Hady, Jennifer Beattie, and Michelle Robinson (NAA) participated in a conference on the U.S. Prospects in the Post-Cold War Economy, sponsored by DRI/McGraw Hill on May 7.

Mark Denbaly participated in the Western Economics Association meeting in July. He delivered a paper "Market Efficiency, Arbitrage, Interest Rates, and Commodity Prices." He found that movements in commodity futures prices significantly affect the

economic activity in agriculturally dominated rural areas. Other existing work in this area tends to misspecify the macro-financial relationship between interest rates, futures prices, and actual future cash prices. In this analysis, Mark identifies the proper relationship and estimates it for agricultural commodity prices.

In July, Tom Hady (Branch Office) and Dave Torgerson attended a symposium sponsored by the Army Corps of Engineers on the economic affects of infrastructure. A wide range of government agencies was represented. The conference focused on the role that infrastructural development has in a region's economic growth. The main contention of previously reviewed literature was that investment in infrastructure has a substantial role in enhancing productivity growth and hence economic growth. However, data limitations as well as problems with simultaneity cloud the empirical findings. So relatively rich States may spend more on infrastructure because it is an income sensitive good, but they do not become rich because they have invested in infrastructure.

Ralph Monaco delivered a talk titled "State of the Economic Recovery" at the Industry Outlook Symposium at the American Agricultural Economics Association (AAEA) meetings in Baltimore, August 9-12. Ralph discussed the factors that brought the economy into recession, including tight monetary policy, the Gulf War, and the fiscal tightening from the 1990 budget agreement, and the factors that have contributed to the weak recovery. Among these are low consumer confidence, attempts by producers and consumers to pay down debt, and relatively high long-term interest rates. Jennifer Beattie helped to develop the talk and also attended the AAEA meetings.

Karen Hamrick represented ERS on the organizing committee for the annual Federal Forecasters Conference, which was held in Washington DC, September 17. The Assistant Secretary for Economics, Daniel Sumner, welcomed the audience to USDA, and Barbara Bryant, Director of the Bureau of the Census, gave the keynote speech, "Forecasting and Total Quality Management." Karen organized, chaired, and discussed a panel on forecasting developments in the last ten years. Paul Sundell, Ralph Monaco, Jennifer Beattie and John Kitchen presented papers at the conference.

Paul Sundell attended the Academy of Financial Services conference in San Francisco on October 21. Financial topics, such as financial institution management, asset pricing, and bond yield determination were covered. Paul presented a paper written jointly with Mark Denbaly that examines factors that influence changes in bond yields. Paul and Mark

found that real and nominal changes in short-term interest rates, changes in real foreign bond yields, and other real and financial factors influenced U.S. bond yields in the 1980's.

Upcoming Events

The February 1993 issue of the *American Journal of Agricultural Economics* will contain an article titled "Dynamic Fertilizer Demands of Corn: A Cointegrated and Error-Correcting System" by Mark Denbaly and Harry Vroomen (RTD). Their work provides short-run and long-run land and wage price elasticities needed to assess the effects of a tax policy on fertilizer sales.

National Aggregate Analysis Section

Publications

The Winter 1992 issue of *Growth and Change* includes an article titled "Dynamic Relationships Among Regional and National Manufacturing," by Gregory D. Wozniak (University of Tulsa) and Ronald A. Babula. The article uses a monthly VAR model of the relationships among the Federal Reserve Board's Industrial Production Index for real manufacturing and two regional real manufacturing indices. The VAR model examines how real regional manufacturing activity responds to a decline in real nationwide manufacturing activity. Only two regions, the Richmond and the Chicago Federal Reserve Districts, had adequate data for the analysis. Compared with the Richmond District, the long-run dynamic patterns in the sample would have the Chicago District's manufacturing activity experience a longer and stronger downturn per percentage point decline in the national activity as well as a longer and stronger recovery per point rise in the national activity. Results further suggest that the Richmond District's real manufacturing activity is more insulated from the national manufacturing activity levels than is the Chicago District's activity. So during an economic cycle, not all regional downturns in real manufacturing activity are alike.

The May 1992 issue of *Agribusiness: An International Journal* includes an article by Ronald A. Babula and Agapi Somwaru (DSC) titled "Dynamic Impacts of a Shock in Crude Oil Prices on Agricultural Chemical and Fertilizer Prices." The article describes a monthly vector autoregression (VAR) model of crude oil prices, industrial chemical prices, agricultural chemical prices, and fertilizer prices for the period of January, 1962, to June, 1990. The authors examine the dynamic monthly response to a rise in crude oil prices of agricultural chemical and fertilizer prices. Their results suggest that agricultural chemical and fertilizer prices would increase

by about a quarter of whatever percentage rises occur in crude oil prices. These increases would be mild for half a year, after which they would gain magnitude. The increases would endure for 2 to 2.3 years.

Papers Presented and Meetings Attended

Chinkook Lee presented a paper, "Growth and Changes in the Structure of the U.S. Agribusiness Industries, 1972-82: an Input-Output Perspective" at the Second Annual Symposium of the International Agribusiness Management Association in Oxford, England, UK, May 16-19. The paper analyzes growth and structural change of the U.S. agribusiness economy for the period from the perspective of demand-based sources of output changes. The analysis identified several broad structural and technical trends stemming from changes in: (1) domestic final demand, (2) export demand, (3) interindustry demand, and (4) domestic supply ratios. The results indicate that changes in domestic final demand growth played a dominant role in output growth in the U.S. agribusiness economy.

Bill Edmondson took part in the second Forest Service-sponsored seminar on IMPLAN modeling. The seminar was held the week of July 27 at Tennessee State University in Nashville and it attracted faculty and heads of Economics and Agricultural departments of nine 1890 institutions. Bill took part in two days of hands-on model construction and made a presentation the third day. His presentation outlined: (1) ERS's input-output modeling capabilities, (2) ERS's commitment to strengthening its ties to 1890 institutions, and (3) ERS's initiatives on diversifying the work force.

Ronald Babula presented a paper titled "Dynamic Effects of Grain Prices on Related U.S. Food Prices" at the Annual American Agricultural Economics Association (AAEA) meetings in Baltimore, August 9-12. He used time-series techniques to reveal how monthly U.S. feed, meat, processed food, and wholesale food prices have dynamically responded to grain price movements. A change in grain price influences feed prices, processed food prices, and wholesale food prices for anywhere from three to six months. Each ten percent change in grain price elicits direct changes of 2.3 percent for feed prices and of 1 percent for processed and wholesale food prices. This research indicates that because of countervailing movements in the index's subcomponent meat prices, one cannot be sure of the effects of a grain price index shock on the price index for meats.

Also presented at the AAEA meetings was a paper titled "Factor Intensities and the Changing Pattern of Commodity Composition of U.S. Agricultural Trade," by

Chinkook Lee, Darryl Wills, Michelle Robinson and Gerald Schluter which uses an input-output model to examine the role of factor endowments as a foundation for U.S. agricultural trade. They find that U.S. agricultural exports are more land-intensive (ie., use large amounts of land relative to other inputs) than agricultural imports. However, the commodity composition of U.S. agricultural exports changes as the income of importing countries change and two-way trade is more likely to occur between developed nations.

Arthur Wiese moderated a selected paper session at the AAEA meetings that focused on measuring impacts with Computable General Equilibrium models.

Kenneth Hanson presented a paper, "Chinese Economywide Adjustments Under Agricultural Reform: A Computable General Equilibrium Model," written with Catherine Halbrendt and Indu Sundaresan (both of the University of Delaware) and Shwu-Eng Webb (ATAD), at "The Conference on Prospects for Chinese Agricultural Development in the 1990's," in Beijing, China, August 20-25.

Chinkook Lee presented a paper, "Opportunities and Challenges in Inter-Korean Economic Cooperation--The Agricultural Case," at the Korea-American Economic Association meetings in Seoul, Korea, August 20-21. Chin says that the current political negotiations between the South and North Korea, if successful, will result in significant economic cooperation between them. Agricultural trade would likely be part of this cooperation. An economic cooperation agreement may bring an international challenge for parallel adjustments to open South Korean agricultural markets to all trading partners. While this would benefit consumers with comparatively lower agricultural prices, it could be a difficult domestic adjustment.

The conference, "Industrial Policy for Agriculture in the Global Economy" held at Iowa State University's Center for Agricultural and Rural Development in Ames, IA, September 16-17, 1992 included a paper by Maureen Kilkenny (University of Colorado) and Gerald Schluter. The paper, "A Comparison of Farm Productivity and Farm Program Effects on Rural Income and Activity," used a rural-urban computable generated equilibrium (CGE) model developed under an ARED cooperative agreement. Using this model, the authors analyzed the differential and distributional effects on rural areas of these alternative means of increasing community incomes. Gerald was a respondent for a paper, "The Federal Role in Rural Development Policy," presented by Peter Eisinger (University of Wisconsin-Madison).

Briefings and Miscellaneous

On May 1, Tom Hady, Gerald Schluter, William Edmondson, and Mark Smith (CED) discussed the use of agricultural trade multipliers with Susan Epstein (CBO) and a group from the General Accounting Office (GAO). Epstein and the GAO group were preparing a presentation for the Senate on export enhancement programs. Their immediate interest was a reconciliation between two sets of ARED published trade multipliers. They wanted to know: (1) who was doing this type of research, (2) what it had to contribute to policymakers, and (3) with a limited subsidy budget, under what conditions was it in the Nation's interest to subsidize a processed product rather than a raw product. ARED personnel explained the relationship between the two sets of multipliers and discussed the general area of research.

On July 21, Tom Hady, Gerald Schluter, and Allen Malone met with representatives from the Export Processing Industry Coalition (EPIC), Millers National Federation, and National Pork Producers and discussed the use of added-value export multipliers, the status of the update of the multipliers, and the expected role of the multipliers in an upcoming Congressional hearing on the advisability of subsidizing processed product exports.

On July 23, Tom Hady and Gerald Schluter met with Sean Chin, Warren Gould (both of Agriculture

Canada), and Paul Thomassin (McGill University). The visitors were interested in the input-output (I/O) work in the branch. Their I/O interests included: (1) frequency of requested policy analysis, (2) nature of requested policy analysis, (3) software used for the analysis, (4) employment data used for supplemental analysis, (5) experience with past I/O analyses, and (6) plans for future I/O data and research. The group serves a similar role for the Canadian government that NEH/ARED serves for the United States government.

On August 16, Ron Babula and Gerald Schluter met with Barry Coyle (University of Manitoba) in Canada. Dr. Coyle was assembling background materials for a project on strategic options to improve competitiveness and value-added in the western Canadian red meat industry. Schluter and Babula discussed related research experiences with input-output analysis and time series analysis, and shared ERS publications of interest.

Gerald Schluter and Bill Edmondson met with Tom Sinclair and Michael Dwyer, Chief of the Trade and Marketing Analysis Branch, Foreign Agricultural Service on September 1. The visitors sought information on the Section's two agricultural trade multipliers based on input-output models and on how to use the multipliers in their analysis. Additional topics discussed included recent Congressional hearings on value-added trade, data revisions and future publications.



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